B6200-2-P

World Financial Markets

Morgan Guaranty Trust Company of New York

September 1986

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*LDC debt: debt relief or market solutions?**

As interest rates and oil prices tumbled last winter, hopes soared for solid noninflationary growth of the U.S. economy. The disappointing actual performance has set off a search for scapegoats. The favorite villain is the still-widening U.S. trade deficit, including the $55 billion annual-rate imbalance in trade with developing countries to date this year. In the popular mind, the imbalance is intertwined with Mexico's much-publicized economic and financial troubles, which are focusing renewed attention on certain aspects of the LDC debt strategy. Although intertwined, both the U.S. trade and the LDC debt problems are complex in origin, ramifications, and possible solution. Yet the idea has taken hold among some in the U.S. Congress that political initiative can slice through this Gordian knot, solving both trade and debt problems at a stroke.

Skeptics argue that last year's twin Baker initiatives already have failed and that trade and debt problems have grown so intractable as to require a new, more "realistic" approach. Realism on debt, they assert, entails not merely the provision of fresh credits to the debtor countries but also the alleviation of their existing debt loads through mandatory interest and principal concessions. Supposedly, "debt relief" would be limited to those debtors committing themselves to reforms in the interest of faster economic growth; relief also would enable them to step up their purchases of U.S. exports, contributing to reduction of the U.S. trade deficit.

Debt relief advocates grossly misread the nature of markets, demanding in essence that water flow uphill. Moreover, their case mistakenly generalizes from Mexico's unique situation: this year's nearly 50% drop in oil prices directly subtracts about 4% from Mexico's national income, cuts its public revenues by one sixth, and adds to its debt load as the current account balance relapses into deficit and anxious investors hold back. But, by the same token, the drop in oil prices is a substantial help to such oil-importing LDCs as Korea, Brazil, Chile, and the Philippines. And all LDC debtors are benefiting from the much lower level of international interest rates bred, at least in part, by the drop in oil prices.

Advocates of debt relief ignore the important progress that has

Table 1

Real GDP growth

percent per annum

	1984	1985	1986
Argentina	2.5	—4.4	3.5
Brazil	4.5	8.3	7.0
Chile	6.3	2.4	4.0
Colombia	3.2	2.9	4.5
Mexico	3.7	2.7	—3.0
Venezuela	—1.4	—0.4	—1.0
Indonesia	5.8	1.0	—3.0
Korea	8.4	5.1	8.0
Philippines	—5.2	—4.0	0.0
Nigeria	—0.6	0.0	—6.0

*Based on remarks by Rimmer de Vries, Senior Vice President, Morgan Guaranty Trust Company, on August 28, 1986, to a Symposium on Debt, Financial Stability and Public Policy sponsored by the Federal Reserve Bank of Kansas City.

Table 2

Consumer prices

percent change from previous year

	Dec 1983	Dec 1984	Dec 1985	Latest 1986
Argentina	434	688	385	59
Brazil	164	209	234	139
Chile	23	23	26	17
Colombia	17	18	23	16
Mexico	81	59	64	92
Venezuela	7	18	9	11
Indonesia	12	9	4	4
Korea	2	2	3	2
Philippines	26	51	6	0
Nigeria	39	23	1	—2

Table 3

Trade balances

billions of dollars

	Average 1981-82	1984	1985	1986
Argentina	1.7	4.0	4.8	3.7
Brazil	1.0	13.1	12.5	13.0
Chile	—1.3	0.3	0.8	0.9
Colombia	—1.9	—0.6	—0.0	0.7
Mexico	1.1	12.9	8.4	4.0
Venezuela	5.3	8.6	7.3	1.7
Indonesia	4.3	5.5	5.9	1.9
Korea	—3.1	—1.0	—0.0	2.0
Philippines	—2.4	—0.7	—0.5	—0.2
Nigeria	—1.8	3.0	4.4	0.4
Total for 10	2.9	45.1	43.5	28.1

Table 4

Current account balances

billions of dollars

	Average 1981-82	1984	1985	1986
Argentina	—3.5	—2.5	—1.0	—1.6
Brazil	—14.0	0.0	—0.3	1.5
Chile	—3.5	—2.1	—1.3	—1.0
Colombia	—2.5	—2.3	—1.4	—0.4
Mexico	—9.4	4.2	0.5	—1.8
Venezuela	—0.1	4.5	3.1	—2.0
Indonesia	—2.9	—2.1	—1.6	—5.2
Korea	—3.6	—1.4	—0.9	1.7
Philippines	—2.7	—1.3	0.0	0.4
Nigeria	—6.7	0.1	1.3	—2.3
Total for 10	—49.1	—2.7	—1.6	—10.6

been made on the LDC debt scene taken as a whole. Among the major borrowers, top honors go to Korea, whose real GDP growth this year should be around 8%, with inflation under 3% and a current account balance in distinct surplus (see Tables 1-4). The transformation of Korea's economic fortunes is so well recognized by now that it takes some effort to recall that just three years ago there were those who thought the country headed for trouble. The key to that transformation was timely and effective demand management, complementing hard work, growing technological sophistication, and dedication to outward-oriented development seeking out the discipline and opportunities of the world marketplace. As a result, Korea has realized per capita income gains cumulating to 34% since 1980.

Brazil has staged an impressive comeback from the recession it endured following the debt crisis. Most of the broad indicators of its macroeconomic performance now are favorable. Thus, its economic growth hit 8% last year and will be only a little lower in 1986. Even if some further slowing is needed in 1987 to sustain the Cruzado Plan's counterinflationary breakthrough, Brazil will have achieved substantial per capita income gains four years in a row. At the same time, Brazil's current account is headed for a surplus approaching $2 billion this year and a like amount in 1987. Its exports will have grown at an average annual rate of 8% during 1984-87. With external debt climbing only little, Brazil's debt-export ratio should be just a bit above 300% by the end of 1987 — the lowest since before the crisis. Interest payments may absorb only 20% of Brazil's export earnings next year, half the burden of 1983 (see Tables 5 and 6). Provided Brazil sustains its economic progress, it should be able to restore access to voluntary credit markets in the not-too-distant future.

Others of the debtor countries face a longer and still-difficult road. Yet, almost all are working in a cooperative, rather than confrontational way, to help themselves toward improved economic and financial performance. Moreover, with the examples of Korea and some of the other successful Asian exporters for encouragement, there is growing appreciation in many of the debtor countries of the need for domestic reforms to render their economies competitive in the global marketplace. The climate for progress now is more promising than for many years, with particularly noteworthy shifts in attitude apparent in Argentina and the Philippines.

Recognition of the positive accomplishments of the last four years does not deny that LDC debt problems will continue a great deal longer than originally supposed. Certainly, that is the case in terms of what was and remains the ultimate objective — LDC economic growth and the normalization of their access to the international financial markets. However, it does not follow that the strategy pursued hitherto must be discarded lock, stock, and barrel.

Rather, the sensible approach lies in flexible pursuit of the existing strategy, preserving the good and necessary features of what already is being done, and modifying them or introducing new features when necessary to cope with changing circumstances. Constructive *initiatives* are always worth exploring on their merits. What must be rejected, as both unnecessary and unworkable, is a politically imposed *plan* that purports to solve the needs of debtor countries regardless of circumstances, as well as solve U.S. trade problems.

The complexity and global ramifications of the LDC debt problems

Table 5

*External debt**

as percent of exports of goods and services

	1983	1985	1986
Argentina	454	474	537
Brazil	366	352	350
Chile	377	428	427
Colombia	261	242	206
Mexico	316	325	420
Venezuela	216	217	333
Indonesia	145	175	259
Korea	136	144	135
Philippines	295	319	313
Nigeria	166	153	261

*Average of debt at beginning and end of year.

Table 6

Interest payments on external debt

as percent of exports of goods and services

	1983	1985	1986
Argentina	55	51	46
Brazil	42	38	29
Chile	37	42	33
Colombia	24	23	15
Mexico	35	33	35
Venezuela	20	21	26
Indonesia	9	12	17
Korea	11	12	9
Philippines	24	27	24
Nigeria	9	9	14

Table 7

Real effective exchange rates

index numbers, 1980-82=100

	1984	1985	Aug 1986
Argentina	80	71	61
Brazil	86	85	73
Chile	90	80	70
Colombia	99	85	68
Mexico	92	90	64
Venezuela	86	93	92
Indonesia	97	96	77
Korea	96	89	71
Philippines	107	114	88
Nigeria	177	159	106

dictate that no single or unilateral action by any of the parties can lead to a satisfactory outcome. Instead, simultaneous progress in several areas constitutes the *sine qua non* of a good overall result. These areas include: resolute self-help on the part of debtor countries; early action on capital flight; stronger growth of the world economy; willingness to deploy the resources of multilateral institutions; avoidance of counter-productive financial steps, such as interest capitalization, that would deter continuing engagement by banks; and more extensive use of market-based innovations, such as debt-equity swaps. Every step should consciously further the goal of restoring financial market confidence, a process contingent on better functioning of markets generally.

Self-help for debtor countries

The financial rehabilitation of the debtor countries requires, most of all, restoration of domestic confidence. The debt crisis was precipitated by a drastic loss of confidence, as much on the part of the residents of those countries as on the part of foreign lenders. Until the return of confidence in the political leadership, institutions, and economic prospects of those countries, domestic savings and investment are unlikely to revive. Nor will there be reason for their residents to reverse the dollarization trend and renew faith in their local currencies.

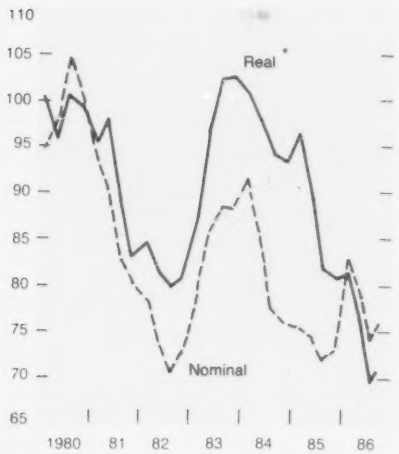
In the immediate wake of the crisis, and especially in the oil-importing countries that had borrowed to meet their import bills following the second oil shock, priority had to be given to turning large foreign trade deficits into surpluses. This was necessary to prove to their own residents as well as to foreign creditors that those countries faced a liquidity rather than a solvency problem. To secure the requisite trade balance gains, they relied on stiffened import controls and currency devaluations (see Table 7). Fiscal, monetary, and wage policies were tightened by enough to compress internal demand but, except in a handful of countries, not by enough to prevent acceleration of inflation in response to the devaluations. Lax demand management left inflationary pressures unchecked in Argentina, Brazil, and Mexico.

Realization that gradualist anti-inflation policies were achieving little, especially where widespread indexation was left untouched, explains the eventual adoption of the Austral and Cruzado plans in Argentina and Brazil. Still, even those countries' recent achievement of inflation control cannot be taken for granted. In both Argentina and Brazil, government spending and monetary policies are too loose given the objective of very low inflation. And stabilization policies in Mexico will take time to work and boost confidence.

Even where effective, stabilization has to be supplemented with structural reforms covering a wide range of policy and institutional changes at both macro and micro levels. These could allow vigorous, sustainable economic growth through stepped-up private investment in productive, export-oriented or import-competing activities. This cannot take place unless there are strong incentives for middle- and upper-income groups to postpone consumption and increase savings — most particularly, savings held at home, expressed in the local currency, and channeled through domestic financial institutions. Opportunities also have to be made available to both residents and foreign companies to invest in sectors with profitability based on comparative advantage, rather than on subsidies and protection. In addition, fair and

Chart 1

Non-oil commodity prices
1980 = 100



* Nominal price index deflated by an index of nominal OECD wholesale prices of manufactures in dollar terms.

Table 8

World economic outlook
percent change, except as noted

	1985	1986	1987
OECD real GNP	2.8	2.3	2.7
United States	2.7	2.4	2.5
Japan	4.6	2.4	2.3
Europe	2.2	2.5	3.0
Germany	2.4	3.0	3.5
OECD manufactures prices			
Local currency terms	2.5	—2.0	1.5
Dollar terms	0.4	8.2	6.9
Dollar effective exchange rate	3.2	—17.0	—9.0
LIBOR, 6-month average (%)	8.6	6.7	6.5
Average OPEC oil price ($/barrel)	26.8	14.0	14.0
Non-oil commodity prices in dollar terms	—8.0	2.0	8.0

stable rules are needed to govern the process of saving and investing. To these ends, structural problems must be addressed: excessive regulation of private initiative, mismanaged and overextended public sectors, inward- instead of outward-looking trade regimes, and distorted financial markets unable to mobilize savings or to place them efficiently.*

Such reforms were emphasized in the 1985 Baker initiative, raising hopes that significant progress would be made or, at least, be put under way within the initiative's three-year financing horizon. However, urgent though they be, structural reforms are complex in nature, face political obstacles, and take time to implement. Although the key decisions belong to the debtor countries themselves, the policy-based lending activities of the World Bank — an institution now led by a new president with strong U.S. Treasury backing — can make a vital contribution through advice, encouragement, and financial inducements. Once the debtors' economies open up, become competitive, and offer attractive investment opportunities, money will begin to flow to them, both from foreign sources and through the return of assets their residents now hold abroad.

The world economy

The outlook for the world economy offers no grounds for complacency. Although changing usage and excess supply capacity are powerful contributing factors, sluggish economic growth in industrial countries is a major cause of the continued extraordinary depression of most commodity prices (see Chart 1). In conjunction with protectionism, sluggish world demand also holds down gains in LDC export volume. Without open and growing industrial economies, the LDCs cannot expect the increases in their export earnings that are essential to the restoration of creditworthiness.

The world economy is in better shape today than in 1981-82 but remains seriously troubled. Only in 1984, thanks to stellar U.S. performance, did the industrial countries approach 5% economic growth. Their growth has since fallen back below 3% and, on present reading, is unlikely to pick up much in the near future (see Table 8). Although in the interests of long-term investment and growth, reduction of the U.S. budget deficit contracts domestic demand in the short term. It remains to be seen whether the dollar's depreciation will yield sufficient improvement in the trade balance to make up for this shrinkage in domestic demand. Meanwhile, despite virtual absence of inflation, Japan and Germany remain deeply averse to overt and significant measures to increase their domestic demand and thereby offset the deflation implicit in the inevitable shrinkage of the U.S. trade deficit. Worries about the long-range burdens of supporting a fast-aging population keep Japan wedded now to excessively tight-fisted fiscal policies that have adverse consequences for growth while the support burden is, as yet, quite modest. Fears of inflation effectively paralyze fiscal policies in Europe, a rigidity buttressed by mercantilist traditions that find virtue only in export-led growth.

LDC export growth in recent years has depended disproportionately on sales to the U.S. market. Even though it normally takes only one third of total LDC exports to the industrial world, the United States absorbed virtually the entire increase in LDC sales to industrial countries between 1982 and 1985 in dollar

*For further discussion of reform of Latin America's trade policies and financial markets see the May 1985 and April/May 1986 issues of this publication.

Table 9

*Use of IMF credit**

billions of dollars

	Borrowings	Repayments	Net
1980	4.41	4.16	—0.25
1981	7.98	2.46	5.52
1982	8.22	1.81	6.41
1983	13.49	2.17	11.32
1984	7.47	2.35	5.12
1985	4.08	3.70	0.38
1986 Jan-Jul	1.97	3.42	—1.45

*SDR amounts converted at average SDR/dollar rate for period.

terms. Despite this fact, it is sometimes claimed that, with the dollar now lower, the only major policy change still needed of industrial countries is that the United States should reduce its budget deficit and boost its domestic savings enough to facilitate lending to the LDCs. Yet, this is no formula for LDC export growth. Both Europe and Japan have far to go in coming to terms with their responsibilities to absorb increased exports by LDCs, not least for the benefit of their own consumers.

Official financing

No illusions should be held that industrial-country governments will soon loosen the purse strings on appropriations of taxpayers' money for LDC finance. For example, given U.S. fiscal limitations and the mood of the Congress, talk of a Marshall Plan for Latin America — which would require year-in, year-out voting of substantial sums of public money — is utterly unrealistic and counterproductive. Congress is not about to fund anything that might be construed as a bailout for the banks nor vote additional foreign aid.

Public money will continue to filter through from the regular activities of export credit and international lending agencies. But their funding is unlikely to grow rapidly in the immediate future. A number of governments have been obliged to provide budgetary allocations to cover losses of their export credit agencies on LDC credits. All are maintaining a tough line on new funding. Multilateral activity is circumscribed by the fiscal inability of the United States to contribute its normal share of any major step-up in funding and the reluctance of other industrial countries to step into the breach — at least without gaining an increase in voting weight. The latter inevitably raises the vexing question of U.S. veto powers. Besides, the priority beneficiaries of additional official money will be the low-income countries of Africa, Asia, and Central America rather than the higher-income newly industrializing countries of Asia or Latin America.

Another notion that deserves to be retired is that the IMF can step back from the LDC debt stage because the worst of the payments crisis is over. During the past year, mounting repayments of earlier drawings on Fund resources have come to exceed the much-reduced pace of disbursements (see Table 9). Thus the Fund's financial role in the debt strategy — and, more seriously, its advisory role — has diminished. Some find this a desirable development. But it must not be overlooked that massive payments imbalances continue to arise as the world economy is subjected to unpredictable shocks. This year's collapse of oil prices, by nearly 50% from the $27 per barrel average of 1985, is cutting some $60 billion from the oil export earnings of developing countries, including OPEC members, Mexico, and others.

The Fund was intended to play a significant role in helping countries cope with such abrupt shifts in circumstance. The institution's ample resources should now be mobilized on behalf of those oil exporters making respectable adjustment efforts. In no way should this be interpreted as the shoring-up of cartelized pricing. If the oil price decline is deemed to be temporary in nature, the Fund's Compensatory Financing Facility (CFF) should be put to work up to the 83%-of-quota access limit currently in effect. Thought also might be given to raising this limit. If the oil price weakness is viewed as a more permanent shift, use of the CFF would be inappropriate. Longer-term facili-

Table 10

External assets and debt

billions of dollars, at end-1985

	Assets			
		Of which		
	Total	Banking system*	Other**	Gross debt
Argentina	33	7	26	49
Brazil	30	19	11	106
Mexico	60	6	54	97
Venezuela	54	19	35	38
Philippines	11	3	7	26
Nigeria	12	2	10	20

*Official reserves (including gold) and foreign assets of domestic banks.

**Cumulative capital outflows during 1976-85. These estimates were described in the March 1986 issue of this publication. They are derived from published data on balance of payments flows and on stocks of external debt and banking system foreign assets. Data are not available from host countries where assets are located. Estimates published here are well within the range of those made by analysts in several other private and official organizations.

Table 11

Potential contribution of earnings repatriation to debt service

billions of dollars and percent

	Earnings at 6% on non-banking-system foreign assets*	1986 interest payments on external debt	Earnings as % of payments
Argentina	1.6	4.3	37
Brazil	0.7	8.9	8
Mexico	3.2	8.3	39
Venezuela	2.1	2.9	73
Philippines	0.4	2.0	22
Nigeria	0.6	1.1	53
Total	8.6	27.5	31

*See Table 10 for estimates of these assets at end-1985.

ties should be created, if necessary tapping the resources of today's major surplus countries, such as Japan and Germany, through the Fund's General Arrangements to Borrow. It seems fair to recall that, when prices soared following the first oil shock of the 1970s, a facility was established to which Saudi Arabia contributed heavily and through which the Fund was quick to assist rich industrial countries such as Britain, France, and Italy. With the shoe now pinching the other foot, it is hard to rationalize the Fund's present limited assistance to the much-lower-income oil-exporting nations.

Capital flight

LDC capital outflows have to be tackled as part of the solution to the debt problem, not as something that need be addressed only later. If capital flight is given a free ride in the caboose of the LDC debt train, the train has little hope of making the station. It is both necessary and feasible to deal forthrightly with issues affecting capital flight. It is necessary for quantitative and psychological reasons; it is feasible because the causes of capital flight are fairly well understood, and the means exist to stem and reverse it.

Residents of the debtor countries have accumulated substantial amounts of assets abroad. This accumulation has drained resources, both domestic and external, that might otherwise have been used for domestic investment. The liabilities corresponding to these assets are represented by the borrowings of governments, state enterprises, central banks, and private-sector companies from foreign creditors, including commercial banks. Some of these external borrowings unfortunately supported policies that discouraged residents from investing locally and caused them to seek better returns abroad.

The buildup of foreign assets by residents of several major debtor countries — notably, Argentina, Mexico, and Venezuela — bulks large in relation to their countries' external debts (see Table 10). Thus, their net external positions are quite favorable in comparison with their gross indebtedness and with the net positions of other countries.

Psychologically, nothing has contributed more to the pervasive sense of frustration over the LDC debt problem than the realization that capital flight persisted, if on a much reduced scale, almost throughout the 1983-85 period of "involuntary" lending. Creditors, both private and official, are understandably reluctant to provide fresh funds unless the debtors put a stop to the capital flight.

Even if, at least for now, the outflow of capital has diminished, the consequences of past flight still aggravate the debt problem. The earnings on the accumulation of assets made possible by the debt buildup are not being used to service that debt. Certainly that is the case with the earnings on assets held by private-sector residents, which generally are not repatriated and are therefore unavailable for this purpose. If these accumulated assets were yielding, say, an average 6% annual return, the earnings, if repatriated, would generate foreign exchange sufficient to pay roughly one-third of the interest owed on the total external obligations of the major LDC debtors (see Table 11).

Reversing the outflow of capital and repatriating earnings need not be fantasy. The decline in U.S. interest rates lessens one incentive for residents of troubled debtors to hold assets abroad. However, repatriation will not occur on a substantial scale unless the conditions also are right in the debtor countries

themselves. Individuals and businesses respond to market signals — hence the importance of realistic interest and exchange rates on a sustained basis plus attractive investment opportunities in domestic financial markets and business enterprises. The incentive to hold assets abroad could be further reduced were the debtor governments to take steps to improve their ability to collect taxes on their residents' earnings on foreign assets. Tax and exchange rate inducements could be offered to encourage repatriation of foreign assets and the earnings on them.

The banks' position

The debt strategy seeks to strengthen not only the borrowing countries but also their creditors. For the commercial banks the prudent course continues to lie in building capital at a much faster pace than their credit exposures to the major debtors. The banks already have strengthened their capital positions substantially relative to their LDC exposures, thereby reducing their vulnerability to any strains associated with those exposures. On average, for example, U.S. banks have brought down the ratio of LDC exposures to their own primary capital from a peak of 191% in mid-1982 to 106% in early 1986, or well below end-1977 levels (see Chart 2). For the nine large U.S. money center banks the average ratio has come down from 290% to 174%; their exposures to the four largest borrowers in Latin America — Argentina, Brazil, Mexico, and Venezuela — ranged between 75% and 135% of primary capital at the beginning of this year and were mostly clustered near the 100% mark.

Although much reduced from earlier levels, bankers generally regard these ratios as still uncomfortably high. What may constitute the upper limit of prudence is difficult to judge amid today's credit quality and world environment concerns, not to mention worries voiced about the possibility of collective default. The recent talk about debt relief lessens banks' willingness to lend and intensifies their drive to lower their ratios of LDC exposure to capital.* Moreover, LDC exposure is not the only concern to banks, bearing in mind the current difficulties of the agriculture, energy, and real estate sectors.

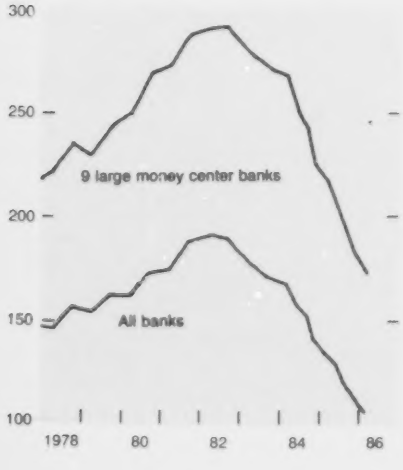
Besides adding to their loan loss reserves and capital bases, banks will continue to charge off loans to LDC borrowers when appropriate. Some also may choose to sell part of their existing LDC exposures, incurring losses in accordance with the discounts prevailing in the secondary market. However, voluntary decisions by bank managements to reserve against possible losses or to incur actual losses via charge-offs and loan-sale discounts are a far cry from forced debt relief and in no way signal a willingness to forgive debt. Given the range of risks confronting the banking system, this is not the time for bold adventures down the road of compulsion, whether forgiving interest or principal.

In the case of interest relief — unilateral nonpayment or forgiveness by agreement — banks would incur an immediate reduction of pretax earnings by no less than the amount of interest in question and possibly by the amount of all interest on the affected loans; conservative management, its accountants, or the regulators might put such

Chart 2

U.S. banks' claims on LDCs

as percent of primary capital



*In the first quarter of 1986, BIS-reporting banks' claims on developing countries declined by $2.7 billion, or 0.6%, in current dollar terms. After adjustment to exclude the valuation effects of the dollar's depreciation, the decline was $8.4 billion, or 1.8%. Only part of this drop can be explained by normal seasonal patterns, and by loan charge-offs, loan sales to nonbanks, and loan repayments financed by issuance of securities.

loans on a status requiring that any interest received be applied to principal reduction rather than taken as income.

Principal forgiveness would result in immediate charge-offs at least equal to the amount forgiven, as well as earnings reduction. Most banks could withstand some earnings losses and charge-offs on loans to a single major debtor country. Yet if debt relief were offered to any one debtor, political realities would virtually dictate extension of relief to others. That might shake confidence in a number of banks. Indeed, snowballing debt relief still could threaten the international financial system as a whole.

Innovative finance

Beyond building up capital and realigning their existing LDC loan portfolios, banks ought to explore the applicability to LDC finance of the innovative instruments and techniques originating in other financial markets. However, "creative" accounting is wholly out of place. Interest capitalization is a particularly misconceived course. As a substitute for new money, interest capitalization could seriously undermine a significant discipline on debtor countries. Once established, it could become an automatic financing device, obviating the need for debtors to approach the IMF and the banks for additional financing subject to appropriate conditions. While this external discipline may be politically unpopular in the debtor nations, it is a vital force for securing sustained adjustment and constructive policy reforms. Moreover, it is important for the integrity of the banking system now — and down the road, for the debtors' recovery of market access — that there be no explicit or implied capitalization of interest obligations nor material departure from market-related pricing.

One promising development in financial markets is the conversion of LDC debt into equity. Such conversions have considerable potential not only for reducing external debt, but also to attract resident assets from abroad and foreign direct investment. Debt-equity swaps entail purchase by residents or foreign investors of the debtor country's foreign-currency obligations at a discount abroad and their redemption at a smaller effective discount in the obligor's local currency. Investors thereby obtain local-currency funds for approved business purposes more cheaply than through the official or parallel exchange market, using discounted dollar claims acquired in the emerging secondary market for bank loans. Banks — small and medium-sized ones especially — may find this an attractive mechanism to work down their LDC exposure at a market-determined cost. Banks that have written off a large part of their LDC loans may even recoup more than book value.

For the debtor countries, debt-equity swaps reduce foreign-currency debt and related interest costs. Interest payments may be replaced by dividend remittances once a foreign creditor or investor acquires the equity. Of course, dividends will hinge on the success of the equity investment and remittances may be subject to exchange controls. The effectiveness of debt-equity swaps in generating new investment in the debtor countries depends on the availability of attractive opportunities for equity investment. This, in turn, requires sufficient improvement in the overall investment climate in those countries and more wholehearted acceptance of privatization and foreign direct investment than some governments display at present.

Concerns have been expressed

that debt-equity swaps may adversely affect domestic monetary policy and exacerbate fiscal deficits in debtor countries. When a foreign creditor exchanges its claim on an entity in a debtor country for equity in the same entity, no flows of funds are involved. Domestic monetary conditions are unaffected, except to the extent that the entity's improved balance sheet allows it increased usage of local credit sources. When local-currency funds are paid out in exchange for the foreign-currency debt being swapped, domestic liquidity will increase if the central bank provides the local-currency funds directly or lends funds to a local entity whose foreign-currency debt is being redeemed. However, excessive monetary expansion need not result if the central bank absorbs the additional liquidity through other policy actions or limits other forms of liquidity creation appropriately. Failure to neutralize or otherwise offset the domestic monetary consequences of debt-equity swap transactions may reflect inadequate policy instruments, or an unwillingness to use them, rather than a shortcoming of debt-equity swaps. Otherwise, such swaps can seriously threaten domestic monetary control only if swap volume is large in relation to the country's existing monetary base. As for fiscal consequences, a debtor-country government or public-sector entity may have to borrow local currency at rates of interest higher than those on the foreign-currency debt being redeemed. However, the increased fiscal expense is no fault of the swap concept, since high local-currency interest rates typically reflect existing failure to control domestic inflation through appropriate monetary and fiscal policies.

As yet, the debt-equity swap market remains in its infancy, mainly because the debtor governments have resisted removal of regulatory impediments. The note following this article summarizes the conversion policies of Brazil, Chile, Mexico, Argentina, and the Philippines. To date, these five countries have converted roughly $3 billion of their foreign-currency debt. This is but a small fraction of their $220 billion debt to foreign commercial banks. The potential scale of conversions is substantially greater — certainly no less than $5 billion *annually* in these five countries alone. Realizing that potential, however, requires that the debtor countries take the needed steps to improve their overall investment climate and open up opportunities for private capital.

Altogether, debt-equity conversions are an effective mechanism for the lessening of debt burdens and, because they are market-based, are more constructive for the debtors' long-term economic prospects than schemes for mandatory relief. The opportunity to sell or trade their loan portfolios enables banks to work down their exposure-capital ratios more speedily and the smaller banks to exit, although at the price of write-offs and charges to their earnings. Best of all, confidence in the LDCs will be enhanced as they attract equity finance in place of debt obligations, laying a sound basis for adequate economic growth in the years to come.

Realism, not cynicism

After four difficult years, it is understandable that a certain fatigue and frustration have overtaken many of the parties to the LDC debt problem. Rarely are complex problems susceptible to quick or easy solutions. The LDC debt problem is no exception, although some observers still imagine that demagoguery and gimmicks can provide instant solutions.

Particularly unfortunate is the misunderstanding, if not opportunism,

Table 12

U.S. trade deficit by regions

billions of dollars, FAS/CIF

	1984	1985	1986*
Latin America	—18	—18	—16
Western Europe	—17	—27	—36
Japan	—37	—50	—59
Asia excluding Japan	—28	—32	—35
Canada	—20	—22	—24
Other countries	—3	1	—5
Total	—123	—148	—175

*January-July at an annual rate.

evidenced by those pushing simplistic approaches to the debt problem as a fix for the U.S. trade deficit. Granted, U.S. exports to Latin America plummeted from $39 billion in 1981 to less than $23 billion in 1983 and have since staged little recovery. However, the principal and still-continuing U.S. export losses have been in trade with Europe, while stepped-up import penetration of the U.S. economy has mainly reflected inroads by Japan and other developed countries as well as by the newly industrializing countries of Asia. Thus, it is unrealistic to suppose higher U.S. sales to Latin America will do much to remedy the overall U.S. trade deficit (of which the bilateral deficit with Latin America is less than one tenth; see Table 12) or that there exists some financial contrivance that will enable a strong rise in U.S. exports to the region *before* those countries themselves achieve better export performance. Early improvement of the overall U.S. trade position will have to occur mainly vis-à-vis the other industrial countries, preferably through faster economic growth on their part — since this would vastly brighten global economic prospects — or else through further dollar depreciation.

Still more objectionable is the suggestion that a smart debtor — not unlike the proverbial millionaire panhandler — should borrow all he can, invest abroad, and then demand debt relief. Through capital flight, several of the major debtor countries have accumulated tens of billions of dollars in assets abroad. Surely it is inimical to the functioning of an international financial system that these asset holdings, and the earnings thereon, should fail to be made available for debt service.

In any case, there is no shred of reason to suppose that some radical clearing of the decks can yield quick miracles for the debtor countries, or indeed miracles at all. The current craving for a politically negotiated all-weather "plan" to solve the debt problem is a dead-end street. This would require U.S. congressional involvement, which would politicize the debt issue. The deceptive promise of increased exports and jobs through debt relief would set the legitimate interests of the financial community against those of business and labor, while doing nothing to revive investor confidence in the debtor countries. When public money is as scarce as today, it makes no sense to alienate the private financial sector. If banks are required to write down their loans, simple prudence — and even perhaps legal considerations — would surely inhibit new lending to troubled countries for years to come.

All told, there is no realistic alternative to continuing on within the precepts of the present debt strategy. They have the great virtue of keeping clearly in sight the ultimate objective of all concerned with the LDC debt issue — vigorous and sustainable economic growth for the debtor countries through restoration of their access to the international financial markets. Admittedly, that will not come about overnight or unfold in neat stages — as Mexico's troubles attest. The debtors will have to persevere with stabilization and structural reform. The commercial banks as a whole must stay in the game. So too must the official bilateral agencies and multilateral institutions — including the IMF and, as never before, the World Bank. All parties involved will have to exercise patience and flexibility. They also will need openness toward new ideas, not least to cope with evolving circumstances. Debt-equity conversion is a good example of market-based initiative. By contrast, suggestions for mandatory debt re-

lief are only counterproductive. Whatever modest benefit relief might provide debtors in the short run would be far outweighed by the long-term costs of failure to reorient development strategies in ways that enable markets to make their maximum contribution.

Note on debt-equity swap programs

Brazil allows foreigners to convert foreign-currency debt claims into equity investments, subject to existing regulations on foreign investment. Repatriation of this equity capital is restricted to the terms of the original loan. During a brief period in 1984, foreign investors could use external debt purchased in the secondary market for conversion purposes and receive a 10% tax credit from the government. After mid-1984, debt-equity conversions were limited to those by foreign creditors directly into equity in the obligor, and in early 1985 the tax credit was ended. Since 1983, nearly $1.8 billion of Brazil's external debt has been converted into equity, much of it by multinational corporations converting intercompany loans to their Brazilian subsidiaries into equity. However, the pace of conversions has diminished sharply since the beginning of this year.

Chile's debt-equity conversion scheme is currently very active because it is the least restrictive and most straightforward. Deals already completed or possible later this year will reduce its foreign debt by as much as $1 billion. Foreign creditors can present their foreign-currency loans to the obligor for redemption in pesos, which can be invested locally. Resident and foreign investors can purchase Chilean external debts at a discount in the secondary market and likewise present them for redemption at the official exchange rate, using the proceeds for a wide range of investments or to repay local-currency debt. Residents, but not foreigners, are required to purchase a "cupo," or quota, equal to the face value of the transaction from the central bank at a monthly auction to carry out the conversion. Foreign investors register their peso proceeds as capital under Chile's foreign investment law and are prohibited from remitting dividends or repatriating the new capital for five years. The net effect of these debt conversions is to extinguish foreign-currency obligations without cost to official reserves, since the foreign exchange comes from nonresidents, or from residents' holdings abroad or their purchases in the local unofficial market. The attraction of the Chilean scheme to local investors is the arbitrage opportunity arising from the difference between the discount at which debt is purchased in the secondary market less the cost of the quota and the gap between the exchange rate for pesos in the unofficial market, through which dollars can be purchased to acquire discounted debt, and the official rate at which debt redemption takes place. The scheme allows foreign investors to acquire pesos more cheaply than direct purchase in the official market.

Mexico launched a debt-equity conversion program earlier this year whereby foreign investors can acquire Mexican public-sector external debt at discounts in the secondary market and exchange it at the free exchange rate for pesos to be used for approved equity investments.

The debt is redeemed at between 70% and 100% of face value. The redemption price depends on the usage of the pesos and the differential between the free and controlled rates of exchange. Acceptable uses include purchases of equity in state-owned companies, new peso-denominated capital expenditures, repayment of peso loans to Mexican nationalized banks, prepayment of Ficorca peso obligations, and payments to domestic suppliers. The highest priorities and therefore the highest redemption prices are for buyers of privatized state-enterprises and for new investments or capital expansions that generate exports, reduce imports, create new jobs or are located in special zones. Deals amounting to about $150 million, including one of $40 million for Nissan Motors, have been approved so far, and a number of other proposals reportedly are under consideration. Some analysts see the possibility of Mexican debt-equity swaps reaching between $¾ and $1¼ billion over the next year, although concerns are expressed about the cumbersome and arbitrary approval process each deal must go through.

Argentina's government recently announced a new program for debt-equity conversion under which any type of registered Argentine external debt obligations can be converted into australs at the official exchange rate provided the local-currency funds are used for new investments in export-oriented activities and the investor brings in additional foreign exchange funds, also at the official exchange rate, equivalent to the face value of the debt being converted. The financial incentive provided by debt-equity conversions is significantly reduced by this "new money" requirement and by use of the official as opposed to free market rate of exchange. The requirement that proceeds of the conversion be used only for new investments in export-oriented activities also means they would not be available for privatization of public-sector companies or other productive uses. Government officials have indicated an annual target of $1 billion for conversions under this scheme, which is unrealistic given the restrictive terms and the overall investment climate at present. Last year, under an earlier debt capitalization program limited to private-sector external debt covered by central bank exchange guarantees, nearly $470 million of external debt was converted into equity, mostly by residents seeking a cheaper source of local currency.

In the *Philippines*, the authorities also recently formalized a program for debt-equity conversion, which they hope will attract an initial $250 million. The program enables resident and foreign investors who hold or purchase Philippine external debt obligations to redeem such debt through the central bank for the peso equivalent of the face amount of the obligation at the prevailing official exchange rate, provided they undertake to use the peso proceeds for approved long-term equity investments in the Philippines. For investments in priority areas, such as export industries and agricultural development, the central bank charges a 5% conversion fee, and allows repatriation of capital in installments after the third year. Dividends paid out of profits are not restricted. For investments in lower priority categories, the central bank's conversion fee is 10%, repatriation of capital can only begin after five years, and no dividends are permitted within the first four years. Moreover, for such categories the investor must bring in additional foreign exchange equal to 10% of the total equity investment. So far, only a few small deals are believed to have been completed but several

more are reportedly under consideration. Prior to the recently announced program, a few foreign banks converted Philippine exposure into equity in local financial institutions.

Statistical appendix

For key to data in tables see pages 22 and 23.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.8	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1985	127.1	92.8	115.8	76.3	85.4	107.8	82.1	88.2	104.2	89.5	104.0	75.6	109.5	95.0	95.6	83.9
1985																
September	125.2	92.1	114.9	74.0	86.3	108.6	79.9	91.3	104.7	89.6	104.6	74.1	109.9	94.9	95.7	83.4
October	118.9	91.3	123.6	71.8	87.3	109.8	80.1	89.9	105.2	90.1	105.4	73.1	113.3	96.1	95.3	83.1
November	117.0	90.3	129.5	67.9	87.6	109.9	80.2	89.7	105.2	90.5	105.6	72.8	113.4	96.5	94.8	83.3
December	116.1	88.9	129.2	67.8	88.3	111.3	80.2	88.3	105.9	90.4	106.7	72.9	112.3	97.3	94.9	83.1
1986																
January	115.1	87.9	130.1	69.1	88.8	112.5	81.0	85.3	106.4	91.1	107.6	73.0	112.1	97.6	94.8	82.7
February	111.2	87.5	138.8	66.9	89.5	113.5	81.7	82.6	106.8	91.6	108.2	73.2	114.2	98.1	95.3	82.0
March	109.0	87.3	142.3	66.5	89.6	113.8	82.0	83.1	107.1	91.7	108.5	73.8	114.0	98.3	94.7	81.9
April	108.1	88.0	144.9	67.4	86.8	114.1	81.7	85.0	107.1	92.4	108.7	73.5	114.9	98.3	94.5	81.9
May	105.8	88.4	150.9	66.5	86.5	114.5	82.0	84.9	107.0	92.6	109.1	73.6	115.8	98.7	89.8	82.0
June	106.5	87.6	151.1	63.2	86.5	114.6	82.0	84.5	107.1	92.6	109.2	73.2	117.1	98.9	87.8	81.8
July	104.0	87.8	158.6	56.4	86.3	115.8	82.8	82.2	107.5	92.7	110.3	74.0	120.2	99.1	87.3	81.4
August	102.3	87.0	161.7	54.2	86.4	117.6	83.7	78.8	108.1	93.4	111.7	74.0	122.7	100.4	86.7	81.0
August 8	102.4	87.5	162.1	54.3	86.6	117.2	83.6	78.7	108.0	93.2	111.5	73.8	122.4	100.5	86.8	81.2
15	102.3	87.1	161.8	54.4	86.5	117.4	83.7	79.0	107.9	93.3	111.6	74.0	122.5	100.6	86.7	81.1
22	102.0	86.7	162.1	54.5	86.3	117.6	83.8	79.1	108.1	93.4	111.7	74.2	122.6	100.3	86.7	81.1
29	102.3	86.7	160.9	53.8	86.2	118.1	83.9	78.3	108.2	93.7	111.9	73.8	123.2	100.3	86.9	81.0
September 5	101.8	87.0	160.5	54.1	86.3	118.2	83.9	78.7	108.2	93.7	111.9	73.8	122.7	100.3	86.8	81.0
12	102.7	87.3	160.5	54.7	86.2	117.7	83.7	78.8	108.2	93.5	111.6	73.6	121.7	99.8	86.9	81.2

Real effective exchange rates — industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1981	100.7	99.9	104.7	102.8	99.8	97.4	98.7	102.3	99.1	100.9	97.3	99.3	98.8	99.2	101.1	102.1
1982	109.8	101.1	92.4	104.3	96.8	99.6	98.1	98.1	100.8	92.0	101.5	100.1	102.8	97.5	102.5	96.9
1983	112.8	103.9	96.8	100.2	94.4	100.5	101.0	92.8	102.1	89.1	101.1	91.2	104.2	99.2	101.6	91.9
1984	118.0	102.7	97.7	105.2	96.4	97.3	101.4	89.8	103.0	88.1	99.3	95.6	99.7	96.7	100.3	97.2
1985	120.9	99.0	96.5	88.8	99.8	96.0	99.8	92.4	103.2	87.4	97.3	97.8	97.9	98.5	99.2	98.2
1985																
September	117.6	99.3	95.6	87.8	101.1	96.6	98.1	96.6	103.6	87.0	97.7	97.0	98.1	98.0	100.7	97.2
October	113.9	97.1	101.4	84.8	101.7	97.3	98.8	95.1	104.1	87.1	97.8	96.1	101.5	100.4	99.8	97.2
November	112.3	96.0	105.6	80.5	101.9	97.4	98.9	95.0	104.4	87.2	97.8	96.3	101.6	100.7	100.3	97.3
December	111.5	95.0	105.2	80.9	102.1	98.3	99.4	93.9	105.8	87.1	98.9	96.8	100.5	101.8	100.3	97.2
1986																
January	109.7	95.2	105.8	83.3	101.8	99.2	101.4	91.7	107.3	87.8	99.4	99.5	99.0	100.8	100.6	97.5
February	105.1	95.6	113.1	81.9	102.5	99.9	101.6	89.9	108.5	88.0	99.9	101.2	100.6	102.2	101.4	97.1
March	102.0	96.0	116.3	81.3	102.3	100.1	101.8	91.3	108.9	88.0	100.4	103.4	101.0	103.8	101.6	96.8
April	101.2	96.5	117.6	83.2	98.7	100.2	101.4	94.1	108.9	88.7	100.4	104.2	101.5	103.9	102.3	96.6
May	100.1	95.7	121.8	82.4	98.0	100.3	101.5	94.7	109.3	88.3	100.9	104.8	102.0	104.7	97.5	96.3
June	101.0	94.9	121.5	78.6	97.4	100.3	101.8	94.4	109.9	88.5	100.6	105.3	102.8	104.9	97.8	96.1
July	98.0	95.9	127.1	70.8	96.9	101.3	102.6	92.5	111.0	88.7	101.6	107.8	105.5	104.7	98.7	95.8
August	96.6	94.8	129.0	68.4	96.6	102.7	103.7	89.2	112.0	89.1	102.8	108.7	107.4	106.3	99.1	95.2

Real effective exchange rates — developing countries

Index numbers, 1980-82 = 100

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1981	107.5	103.2	108.1	100.4	114.1	103.2	99.6	99.4	99.7	101.2	99.3	101.2	101.9	102.6	99.2	104.4
1982	76.4	112.2	96.7	104.9	81.9	103.8	109.1	102.3	110.9	103.0	104.7	105.6	99.9	96.5	107.9	95.6
1983	71.2	85.9	88.9	104.2	78.1	97.9	116.3	96.8	95.8	97.5	113.1	95.4	100.8	93.3	120.1	93.4
1984	79.9	85.7	89.9	99.4	91.6	105.7	85.6	100.4	96.8	96.1	119.3	107.6	101.5	95.6	118.8	90.9
1985	70.9	84.8	79.5	85.3	90.1	96.1	92.5	106.1	95.6	88.8	116.0	114.1	94.8	93.0	106.0	91.2
1985																
August	67.0	80.6	74.2	81.6	82.0	92.1	92.7	103.3	94.5	86.0	114.8	110.3	90.1	90.3	98.6	85.4
September	67.7	81.0	75.6	80.6	82.7	94.6	94.1	105.0	94.5	86.1	115.6	111.7	92.3	90.9	102.0	86.4
October	65.0	79.5	73.1	76.3	78.8	91.4	90.9	101.7	88.7	82.0	111.0	106.6	90.1	87.7	100.9	85.4
November	64.1	80.2	72.5	73.7	77.1	90.6	90.4	100.6	86.5	80.7	109.9	105.6	89.2	87.0	101.5	85.1
December	63.7	80.5	71.9	71.5	74.6	90.7	90.4	99.8	85.9	80.2	108.7	104.7	88.6	86.7	101.4	83.1
1986																
January	63.2	79.7	70.9	72.6	72.2	91.1	90.0	99.0	85.9	79.5	107.9	104.9	87.5	86.7	100.9	83.3
February	61.9	82.4	68.3	71.6	70.6	91.6	90.0	98.2	83.0	77.4	104.2	94.5	85.1	86.3	100.4	81.4
March	62.7	76.5	67.9	71.8	69.6	91.8	90.2	97.7	81.4	75.5	101.0	92.7	83.7	84.6	100.0	75.7
April	62.9	75.2	69.7	71.5	68.2	95.7	91.4	98.6	81.4	73.9	98.9	91.7	83.1	85.4	102.1	73.6
May	61.9	74.4	69.8	69.6	67.1	97.6	91.8	97.7	80.3	72.6	97.1	90.1	81.1	84.5	103.1	73.4
June	62.5	74.8	71.7	68.8	68.2	101.3	91.9	98.1	80.7	72.8	96.9	90.5	82.9	85.6	103.7	73.2
July	63.1	74.2	71.3	68.1	67.1	104.6	92.0	97.4	78.6	72.1	96.0	90.2	79.2	84.9	103.2	72.4

International banking market size

at end of period, billions of dollars

	1981	1982	1983r	1984	1985				1986
				Dec	Mar	Jun	Sepr	Decr	Mar
Gross claims									
Eurocurrencies, on residents and nonresidents	**1 929**	**2 146**	**2 253**	**2 359**	**2 473**	**2 459**	**2 622**	**2 833**	**2 947**
On nonbanks	557	634	665	694	722	735	761	822	854
On banks	1 372	1 512	1 588	1 665	1 751	1 724	1 861	2 011	2 093
In dollars	1 504	1 694	1 797	1 894	1 960	1 924	2 002	2 101	2 138
In other currencies	425	452	456	465	513	535	620	732	809
Domestic currencies, on nonresidents	**365**	**398**	**398**	**402**	**409**	**422**	**451**	**506**	**535**
On nonbanks	128	132	136	142	147	150	165	187	186
On banks	237	266	262	260	262	272	286	319	349
In dollars	188	211	217	215	208	209	205	215	203
In other currencies	177	187	181	187	201	213	246	291	332
Total	**2 294**	**2 544**	**2 651**	**2 761**	**2 882**	**2 881**	**3 073**	**3 339**	**3 482**
On nonbanks	685	766	801	836	869	885	926	1 009	1 040
On banks	1 609	1 778	850	1 925	2 013	1 996	2 147	2 330	2 442
In dollars	1 692	1 905	2 014	2 109	2 168	2 133	2 207	2 316	2 341
In other currencies	602	639	637	652	714	748	866	1 023	1 141
Gross liabilities									
Eurocurrencies, to residents and nonresidents	**1 954**	**2 168**	**2 278**	**2 386**	**2 489**	**2 471**	**2 641**	**2 846**	**2 964**
To nonbanks	372	432	479	497	508	520	546	585	610
To official monetary institutions	112	91	88	96	96	106	109	112	106
To other banks	1 470	1 645	1 711	1 793	1 885	1 845	1 986	2 149	2 248
In dollars	1 539	1 741	1 846	1 950	2 010	1 969	2 045	2 147	2 166
In other currencies	415	427	432	436	479	502	596	699	798
Domestic currencies, to nonresidents	**263**	**250**	**260**	**280**	**293**	**310**	**341**	**377**	**394**
To nonbanks	74	70	73	80	82	89	103	114	121
To banks	189	180	187	200	211	221	238	263	273
In dollars	126	116	135	148	147	154	159	169	166
In other currencies	137	134	125	134	146	156	182	208	228
Total	**2 217**	**2 418**	**2 538**	**2 666**	**2 782**	**2 781**	**2 982**	**3 223**	**3 358**
To nonbanks	446	502	552	577	590	609	649	699	731
To banks and official institutions	1 771	1 916	1 986	2 089	2 192	2 172	2 333	2 529	2 627
In dollars	1 665	1 857	1 981	2 096	2 157	2 123	2 204	2 316	2 332
In other currencies	552	561	557	570	625	658	778	907	1 026
Net market size	**1 155**	**1 285**	**1 382**	**1 430**	**1 470**	**1 497**	**1 572**	**1 676**	**1 735**

International bond issues and bank credits

millions of dollars

	1983	1984	1985	1986			Jan-Jun	
				Apr	May	Jun	1986	1985
By country of borrower								
Industrial countries	**102 652**	**177 077**	**226 711**	**30 528**	**19 085**	**15 084**	**124 351**	**105 705**
Australia	5 737	5 816	14 407	1 419	1 616	406	8 954	5 490
Austria	1 290	2 254	2 435	195	564	—	1 863	1 394
Belgium	2 168	1 847	3 269	526	338	100	2 742	1 698
Canada	8 571	13 124	17 184	2 533	914	682	8 252	9 844
Denmark	3 941	4 825	3 589	930	138	676	2 219	2 094
Finland	1 271	1 713	1 846	188	196	69	1 233	950
France	8 626	11 298	18 773	1 574	821	557	6 324	7 468
Germany	3 197	2 165	3 452	1 169	2 127	244	5 084	1 095
Greece	1 291	1 551	1 588	46	375	177	665	1 307
Ireland	1 869	1 377	1 881	317	502	80	1 343	909
Italy	4 876	6 933	11 033	1 943	1 950	987	7 111	6 946
Japan	14 428	17 526	21 269	4 059	2 253	3 166	15 190	11 370
Netherlands	1 213	1 973	2 299	326	57	67	1 591	998
New Zealand	802	3 208	2 707	1 121	521	200	3 174	1 166
Norway	1 969	1 324	3 905	537	235	590	2 001	2 097
Portugal	1 030	1 796	2 382	20	127	628	1 424	1 120
South Africa	1 300	1 422	825	—	—	—	—	740
Spain	4 977	4 931	3 913	685	331	1 073	2 580	2 789
Sweden	7 144	11 256	9 890	897	46	391	5 761	6 016
United Kingdom	2 726	8 899	25 424	2 931	1 511	1 984	12 601	10 155
United States	20 276	65 054	69 194	8 670	4 264	2 741	31 849	28 829
*Other**	3 950	6 785	5 447	442	200	265	2 389	1 232
Developing countries	**38 256**	**39 725**	**32 139**	**1 437**	**2 372**	**2 376**	**12 515**	**12 320**
Latin American countries	**15 592**	**17 464**	**8 115**	**150**	**255**	**500**	**1 416**	**1 103**
Argentina	1 750	4 212	3 700	—	—	—	17	—
Brazil	4 475	6 649	—	—	—	—	—	—
Chile	1 405	784	1 085	—	—	—	—	—
Colombia	552	589	1 052	—	—	—	—	—
Mexico	5 138	3 918	109	—	50	—	50	—
Venezuela	237	—	48	—	—	—	—	—
*Other***	2 035	1 312	2 121	150	205	500	1 349	1 103
Asian countries	**12 978**	**15 893**	**18 410**	**828**	**1 357**	**776**	**7 857**	**7 817**
India	968	945	818	—	9	30	650	298
Indonesia	2 363	1 924	451	27	—	—	983	424
Korea	4 387	6 201	5 898	174	492	249	2 049	3 282
Malaysia	2 197	2 605	2 220	—	154	—	208	1 053
Philippines	878	925	925	—	—	—	—	925
Thailand	747	1 221	1 497	—	406	—	1 016	716
Other	1 438	2 072	6 602	628	297	497	2 952	1 120
Middle Eastern and African countries	**9 686**	**6 368**	**5 614**	**459**	**760**	**1 100**	**3 242**	**3 400**
Algeria	1 993	821	1 450	—	—	390	797	1 300
Nigeria	2 343	985	—	—	—	—	—	—
Turkey	1 106	741	1 203	459	150	60	972	604
Other	4 244	3 821	2 960	—	610	650	1 473	1 497
Eastern European countries	**1 294**	**3 244**	**5 236**	**360**	**548**	**300**	**2 219**	**2 323**
Hungary	741	1 386	1 578	210	—	300	621	688
Soviet Union	93	1 051	1 489	150	548	—	1 248	891
*Other****	460	807	2 169	—	—	—	150	744
International organizations****	**16 201**	**13 287**	**20 635**	**899**	**1 138**	**794**	**8 513**	**10 254**
By type of instrument and currency								
International bond issues	**76 329**	**107 411**	**167 756**	**26 116**	**14 541**	**13 294**	**105 735**	**82 918**
Eurobonds	48 501	79 458	136 731	22 051	13 034	11 645	87 742	69 547
U.S. dollar	38 428	63 593	97 782	12 032	8 607	7 910	53 988	54 000
German mark	3 817	4 604	9 491	1 698	1 990	1 003	8 592	3 683
British pound	1 947	3 997	5 766	2 412	307	543	5 965	2 416
Japanese yen	212	1 212	6 539	1 579	961	653	7 338	1 867
European composite units	2 019	3 032	7 038	1 729	375	563	3 995	3 318
Other	2 078	3 020	10 114	2 602	794	974	7 864	4 263
Foreign bonds	27 828	27 953	31 025	4 065	1 507	1 649	17 993	13 371
U.S. dollar	4 545	5 487	4 655	400	—	—	2 364	2 157
German mark	2 671	2 243	1 741	—	—	—	—	800
British pound	811	1 292	958	—	77	—	186	291
Swiss franc	14 299	12 626	14 954	3 116	911	1 187	10 942	5 977
Japanese yen	3 772	4 628	6 379	309	123	314	3 137	3 169
Other	1 730	1 677	2 339	239	396	148	1 364	977
International bank credits	**82 074**	**125 922**	**116 964**	**7 109**	**8 603**	**5 259**	**41 864**	**47 685**
Eurocurrency credits	74 222	112 605	110 317	6 653	8 114	4 950	39 146	44 406
Foreign credits	7 852	13 317	6 648	456	489	310	2 718	3 279
Total	**158 403**	**233 333**	**284 720**	**33 224**	**23 144**	**18 554**	**147 599**	**130 603**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1983	1984	1985	1986						
	Dec	Dec	Dec	Feb	Mar	Apr	May	Jun	Jul	Aug
Eurodollar										
overnight	9.50	8.63	12.25	7.81	7.63	6.88	6 81	8.25	6.25	5.88
one month	9.69	8.38	8.00	7.81	7.38	6.81	7.00	6 88	6.38	5.69
three months	9.81	8.63	7.88	7.75	7.31	6.75	7.00	6.75	6.38	5.56
six months	10.06	9.13	7.88	7.69	7.25	6.75	7.06	6.75	6.38	5.56
twelve months	10.38	9.81	7.94	7.75	7.25	6.81	7.25	6.81	6.50	5.69
Euro-Canadian dollar										
one month	9.13	9.88	9 00	12.88	10.75	8.38	8.38	8.06	8.06	8.06
three months	9.50	10.81	9 00	11.69	10.44	8.69	8.44	8.38	8.31	8.13
six months	9.75	10.06	9 00	10.94	9.88	8.69	8 50	8.56	8.50	8.50
twelve months	10.00	10.44	9.00	10.31	9.75	8.69	8.75	8.75	8.75	8.63
Euro-French franc										
one month	12.13	10.69	12 50	14.50	15.00	7.75	7.31	7.25	7.13	7.13
three months	12.19	10.69	13 00	14.00	12.25	7.50	7.31	7.31	7.19	7.25
six months	12.31	11.00	13.13	12 50	11.00	7.50	7 31	7.31	7.25	7.31
twelve months	12.63	11.38	12.25	10.75	10.00	7.38	7.50	7.38	7.31	7.38
Euromark										
one month	5.25	5.50	4.75	4.56	4.44	4.56	4 56	4 44	4.63	4.44
three months	5.88	5.50	4.75	4.44	4.44	4.50	4.56	4.50	4.56	4.31
six months	6.13	5.56	4.75	4.38	4.44	4.44	4.63	4.56	4.56	4.31
twelve months	6.38	5.56	4.81	4.38	4.44	4.44	4.75	4.63	4.63	4.31
Euro-Dutch guilder										
one month	5.81	5.69	5.75	5.81	5.50	5.75	6.13	6 25	5.56	5.25
three months	6.00	5.75	5.75	5.81	5.44	5.50	5.81	6 06	5.44	5 13
six months	6.25	5.81	5 81	5.75	5.44	5.38	5.63	5.81	5.38	5.06
twelve months	6.38	5.94	5.88	5.75	5.44	5.31	5.63	5.75	5.38	5.06
Euro-Swiss franc										
one month	3.38	4.44	3 88	3.75	4.00	4.13	4.88	5 00	4.63	4.19
three months	3.75	4.56	4 00	3.75	3.94	4.13	4 69	5.06	4.63	4.13
six months	3.94	4.63	4.00	3.75	3.81	4.06	4.56	4.88	4.63	4.13
twelve months	3.94	4.69	4.06	3.81	3.75	3.94	4.44	4.75	4.63	4.13
Eurosterling										
one month	9.13	9.50	11.69	12.56	11.75	10.81	10.00	10.06	9.94	10.00
three months	9.31	9.89	11.81	12.31	11.31	10.38	9.81	9.81	9.94	9 81
six months	9.50	10.00	11 81	12.00	10.56	9.81	9 69	9.69	9.88	9.63
twelve months	9.81	10.19	11.69	11.69	10.25	9.50	9.44	9.63	9.94	9.56
Euroyen										
one month	6.25	6.19	7.13	6.50	5.56	4.94	4.75	4.69	4.75	5.13
three months	6.31	6.19	6.56	5.88	5.25	4.81	4.75	4 88	4.75	4.75
six months	6.38	6.13	6.50	6.56	5.13	4.69	4.81	4 63	4.69	4.63
twelve months	6.44	6.13	6.38	6.56	5.06	4.69	4.88	4.63	4.69	4.63
European currency unit										
one month	8.81	9.25	9.63	9.94	10.06	7 94	7.31	7.38	7.25	7.25
three months	9.19	9.38	9.63	9 88	9.50	7 56	7.31	7.31	7.19	7.06
six months	9.44	9.50	9.63	9.44	8.50	7.38	7.31	7 25	7.19	6.88
twelve months	9.63	9.63	9.63	9.06	8.06	7.19	7.13	7.25	7.13	6.88

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month

	1984	1985	1986							
	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States companies										
Eurodollar	11.25	9 68	9 60	9.27	8.78	8.93	9.27	9.09	8 97	8 60
Euromark	6.95	6.73	6 73	6.61	6.67	6.62	6.74	6.65	6.55	6.55
Swiss franc	5.73	5.49	5.47	5.52	5.63	5.65	5.62	5.63	5.56	5.63
European governments										
Eurodollar	12.04	10.52	10 59	10.36	9.98	9.86	10.18	10.00	9.97	9.73
Euromark	7.39	7.03	6 95	6.81	6.77	6.82	6 92	6.95	6.81	6 64
Swiss franc	5.24	4.91	4 82	4.71	4.71	4.69	4.69	4.76	4 73	4.66
European currency unit	10.64	10.23	10.26	10.44	10.35	10.18	10.20	10.31	10.02	10.17

Central bank discount rates

at or near end of month

	1983	1984	1985	1986					Current	
	Dec	Dec	Dec	Apr	May	Jun	Jul	Aug	Sep 19 1986	effective since
United States	8.50	8.00	7.50	6.50	6.50	6.50	6.00	5.50	5.50	Aug 21, 86
Canada	9.96	10.09	9.49	9.27	8.58	8.84	8.51	8.58	8.58	Sep 11, 86
Austria	3.75	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Aug 19, 85
Belgium	10.00	11.00	9.75	8.75	8.00	8.00	8.00	8.00	8.00	May 29, 86
Denmark	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.50	9.50	9.00	8.00	7.00	7.00	7.00	7.00	7.00	May 19, 86
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	4.00	4.50	4.00	3.50	3.50	3.50	3.50	3.50	3.50	Mar 7, 86
Ireland	12.25	14.00	10.25	12.50	11.00	10.00	10.00	10.00	10.00	Jun 18, 86
Italy	17.00	16.50	15.00	13.00	12.00	12.00	12.00	12.00	12.00	May 27, 86
Netherlands	5.00	5.00	5.00	4.50	4.50	4.50	4.50	4.50	4.50	Mar 7, 86
Norway	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	25.00	25.00	19.00	17.50	17.50	14.50	14.50	14.50	14.50	Jun 30, 86
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	8.50	9.50	10.50	8.00	8.00	8.00	8.00	8.00	7.50	Sep 19, 86
Switzerland	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	9.00	9.38	11.31	10.31	9.81	9.81	9.81	9.81	9.81	May 21, 86
Japan	5.00	5.00	5.00	3.50	3.50	3.50	3.50	3.50	3.50	Apr 21, 86
New Zealand	7.50	13.50	19.80	21.00	16.70	16.20	16.60	16.40	16.00	Sep 16, 86
South Africa	18.50	21.75	13.50	12.50	11.50	11.50	11.50	11.00	10.50	Sep 5, 86
Argentina*	15.10	18.19	5.00	6.18	6.18	6.20	6.68	8.79	8.79	Aug 29, 86
Korea	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	Jul 10, 86
Philippines	8.05	12.11	11.50	11.02	n.a.	n.a.	n.a.	n.a.	n.a.	Apr, 86
Singapore	7.00	6.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Jul, 85
Thailand	13.00	12.00	11.00	10.00	10.00	10.00	9.00	9.00	8.00	Sep 1, 86
Venezuela	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	Mar, 85

*Percent per month.

Day-to-day money rates

monthly averages

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	9.47	8.38	8.27	8.14	7.85	7.48	6.98	6.85	6.91	6.55	6.16
Canada	8.78	10.50	9.23	9.94	11.47	11.10	9.58	8.41	8.19	8.38	8.10
Austria	5.75	7.63	7.25	6.13	6.25	5.00	4.75	4.88	4.88	5.13	5.13
Belgium	7.39	9.12	6.60	8.10	8.47	7.20	8.67	6.44	5.18	6.33	4.50
Finland	16.70	15.07	11.96	11.64	11.40	11.21	11.20	12.02	10.83	10.80	24.17
France	12.27	10.95	9.01	8.83	8.77	8.52	8.18	7.38	7.22	7.28	7.05
Germany	5.61	5.62	4.64	4.58	4.59	4.90	4.76	4.30	4.39	4.61	4.51
Ireland	12.19	14.50	9.62	12.00	14.38	14.75	12.63	10.50	9.50	9.63	9.55
Italy	17.88	17.25	14.75	15.15	16.57	17.15	15.02	13.06	12.34	12.11	11.78
Netherlands	5.84	5.60	5.75	5.75	6.01	5.72	5.49	6.69	6.06	6.13	5.56
Norway	12.30	12.50	12.40	13.00	13.20	13.20	13.50	17.00	14.00	14.00	14.00
Spain	16.98	12.18	9.92	8.50	10.54	11.25	12.20	12.04	12.03	12.26	12.34
Sweden	11.52	11.88	11.83	13.00	11.10	10.83	11.58	11.33	10.00	10.00	9.52
Switzerland	1.88	1.50	2.00	2.00	1.75	2.25	2.25	2.00	1.75	2.25	2.00
United Kingdom	7.78	6.31	9.72	11.59	11.16	12.09	8.96	8.55	10.53	8.98	8.70
Australia	4.55	10.98	18.37	18.32	18.16	16.74	15.06	12.31	13.20	13.48	16.79
Japan	6.44	6.41	8.02	6.84	5.78	5.53	4.70	4.21	4.39	4.47	4.55
South Africa	16.06	21.13	12.50	12.00	11.25	11.75	12.00	10.63	10.69	10.75	9.81
Argentina*	14.65	17.75	4.50	4.50	4.50	4.50	4.50	4.50	5.00	5.00	7.00
Brazil	184.69	272.02	352.23	541.33	376.24	15.12	16.64	15.50	18.30	25.93	35.60
Hong Kong	13.90	6.80	6.10	5.93	6.63	6.48	7.81	6.02	6.91	5.95	5.64
Korea	11.40	10.00	8.80	8.50	9.40	9.70	11.00	10.30	10.00	10.60	9.30
Philippines	31.18	15.22	15.03	11.72	21.08	17.83	15.62	12.43	n.a.	n.a.	n.a.
Singapore	7.05	6.01	4.53	4.84	5.75	4.85	4.82	5.07	4.49	3.73	3.95
Taiwan	7.65	8.07	4.50	4.25	5.25	3.54	3.75	3.50	4.53	3.50	3.50

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	9.28	7.99	7.25	7.15	7.23	6.50	6.24	6.45	6.13	5.93	5.23
Canada	9.71	9.84	9.24	10.55	11.55	10.19	9.02	8.33	8.59	8.26	8.33
Belgium	11.00	10.90	9.89	9.89	9.89	9.89	8.36	7.71	7.45	7.45	7.45
Ireland	12.01	15.10	11.15	14.32	15.02	12.08	9.69	8.76	9.16	10.13	10.38
Italy	16.29	14.19	12.70	13.29	13.16	12.74	12.03	10.93	10.50	10.44	10.13
Netherlands	5.63	5.88	5.69	5.72	6.13	5.56	6.88	6.50	5.88	5.75	4.75
Spain	14.46	12.00	9.25	9.25	9.25	9.25	9.25	n.t.	n.t.	n.t.	n.t.
Sweden	11.75	11.83	12.49	11.70	11.14	10.63	10.19	9.90	9.85	9.29	n.a.
United Kingdom	9.04	9.33	11.49	12.47	12.21	11.04	10.09	9.56	9.52	9.76	9.56
Australia	8.54	12.27	19.40	18.46	17.03	14.88	12.84	12.78	12.38	14.98	17.20
Japan	4.91	4.91	4.91	4.91	4.41	3.90	3.39	3.39	3.39	3.39	3.39
New Zealand	7.80	13.50	17.62	18.27	18.48	21.64	20.41	17.34	15.64	16.75	n.a.
South Africa	18.43	21.94	12.99	12.02	11.96	11.97	11.58	11.02	10.75	10.22	9.51
Brazil	179.15	273.03	379.77	n.t.	n.t.	15.40	16.79	15.90	18.60	26.30	36.00
Mexico	53.78	48.67	72.98	74.89	77.75	78.78	80.84	80.74	88.50	n.t.	n.t.
Philippines	15.99	47.14	16.45	16.68	23.43	23.56	19.65	15.79	n.a.	n.a.	n.a.
Singapore	2.59	2.91	2.94	2.96	2.80	2.64	2.58	2.35	2.42	2.54	2.15

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	9.89	8.34	8.01	7.91	7.80	7.34	7.17	6.96	6.75	6.39	5.65
Canada	9.87	10.10	9.45	11.25	12.05	10.80	8.85	8.65	8.65	8.55	8.35
Belgium	11.15	10.85	9.89	9.89	9.89	8.52	8.11	7.71	7.40	7.40	7.40
France	12.19	10.69	9.12	8.93	8.57	8.37	7.50	7.24	6.80	7.25	7.13
Germany	6.30	5.75	4.80	4.60	4.35	4.65	4.60	4.60	4.55	4.65	4.30
Ireland	12.19	15.13	12.00	15.25	16.25	14.63	10.75	10.25	9.25	10.75	10.62
Italy	17.88	16.88	15.13	16.00	16.75	15.00	12.75	12.13	12.25	11.38	11.00
Netherlands	6.00	5.75	5.75	5.81	5.88	5.50	5.56	6.00	6.19	5.56	5.25
Portugal	24.11	24.57	20.71	18.28	18.55	18.75	17.76	17.07	n.a.	n.a.	n.a.
Spain	19.00	12.21	10.51	10.68	10.72	11.59	12.27	11.63	12.06	12.51	12.18
Switzerland	3.88	5.00	4.75	4.43	4.13	4.06	4.50	4.69	5.50	4.88	4.25
United Kingdom	9.31	9.88	12.75	12.75	12.25	11.06	10.13	9.69	9.75	9.88	9.63
Australia	9.05	12.90	19.75	18.75	18.00	16.20	16.10	14.85	14.80	15.10	17.60
Japan	6.45	6.33	7.03	6.12	5.92	5.16	4.53	4.66	4.64	4.65	4.53
New Zealand	11.75	15.00	20.00	23.50	23.50	22.30	21.30	16.10	17.10	16.80	16.30
South Africa	19.12	22.78	13.35	12.55	12.40	12.35	11.95	11.25	10.80	10.55	9.35
Chile	20.68	20.68	22.42	19.56	19.56	14.03	19.56	12.68	14.03	15.39	11.35
Hong Kong	14.88	8.25	6.50	6.63	6.81	7.25	7.81	6.02	6.75	6.31	5.00
Indonesia	19.50	19.00	15.00	14.50	14.50	20.25	16.50	16.00	15.00	15.00	14.00
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.80	10.30	8.20	8.30	8.70	8.75	15.00	9.80	10.00	9.80	11.75
Philippines	15.61	33.21	14.61	23.05	26.05	26.45	19.32	14.57	n.a.	n.a.	n.a.
Singapore	8.44	7.00	5.88	5.53	5.31	5.00	4.94	5.06	4.88	4.31	3.94
Taiwan	8.07	7.85	4.10	3.17	3.10	3.37	3.99	3.58	3.68	3.27	2.81
Thailand	16.00	12.00	15.50	11.50	11.25	10.00	10.00	9.50	8.50	8.00	8.00

Commercial bank deposit rates

at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	9.70	8.35	7.75	7.75	7.60	7.16	6.55	6.82	6.65	6.33	5.47
Canada	9.82	10.05	9.40	11.20	12.00	10.75	8.80	8.50	8.60	8.50	8.30
Austria	6.50	7.50	6.50	6.25	6.38	5.50	4.88	5.19	5.13	5.13	5.13
Belgium	11.25	10.63	9.63	9.88	9.75	9.63	8.13	7.31	7.19	7.25	7.19
Denmark	6.00	6.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.25	5.25	4.75	4.25	4.25	3.75	3.75	2.75	2.75	2.75	2.75
France	7.66	7.04	6.12	6.03	6.02	5.88	5.72	4.50	4.50	4.50	4.50
Germany	5.90	5.25	4.40	4.25	4.25	4.15	4.35	4.35	4.35	4.45	4.45
Ireland	11.75	14.63	11.87	15.25	16.00	14.50	10.75	10.00	10.00	10.00	10.00
Italy	13.25	11.64	11.85	11.75	11.75	11.75	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands	6.13	5.69	5.81	5.69	5.75	5.38	5.44	5.88	6.06	5.44	5.19
Norway	12.75	12.75	12.00	12.25	12.25	12.25	12.25	12.25	13.00	13.00	13.00
Portugal	21.50	28.00	20.00	20.00	20.00	20.00	18.50	18.50	15.50	n.a.	n.a.
Spain	12.62	11.64	9.64	9.61	9.59	9.11	9.42	9.20	9.04	8.89	n.a.
Sweden	11.70	11.45	12.18	12.45	11.45	11.00	10.65	10.60	10.10	9.80	n.a.
Switzerland	3.50	4.50	4.50	4.25	3.94	3.81	4.25	4.44	5.25	4.63	4.00
United Kingdom	9.31	9.88	11.75	12.75	12.13	11.06	10.13	9.69	9.63	9.88	9.63
Australia	10.40	12.75	18.80	18.63	17.95	16.13	14.68	14.21	14.00	14.46	16.67
Japan	6.40	6.38	7.05	6.24	6.10	5.32	4.80	4.90	4.65	4.70	4.80
New Zealand	11.75	15.25	19.98	22.99	23.55	20.56	20.16	16.42	15.10	16.47	16.57
South Africa	20.13	22.88	13.20	12.70	12.65	12.60	12.00	11.40	11.00	10.80	9.75
Argentina*	14.50	31.23	5.40	5.40	4.75	4.50	4.34	4.25	4.28	4.48	6.18
Brazil	23.00	27.00	18.00	18.00	18.50	21.00	21.50	26.00	29.00	30.00	42.00
Chile	20.57	20.68	23.60	22.27	23.60	16.30	19.98	13.62	15.94	16.49	13.62
Hong Kong	14.88	8.25	6.50	6.63	6.81	7.25	7.81	6.02	6.75	6.31	5.00
Korea	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	7.75	9.58	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Mexico	57.15	47.45	72.90	73.60	75.75	79.55	80.20	80.00	85.50	87.50	87.50
Philippines	14.96	31.01	12.34	11.66	13.24	14.17	12.37	14.63	n.a.	n.a.	n.a.
Singapore	7.44	6.13	5.26	5.01	5.01	4.94	4.76	4.94	4.82	4.26	3.88
Taiwan	7.00	6.50	5.25	5.25	5.75	4.75	4.50	4.50	4.50	4.50	4.25
Thailand	10.00	13.00	10.50	10.50	11.00	10.50	8.50	8.50	8.50	7.50	6.75
Venezuela	12.00	12.50	8.00	8.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	12.00	11.61	9.49	9.45	8.31	7.50	7.70	8.37	7.79	7.88	7.51
Canada	12.02	11.66	10.04	10.49	9.96	9.54	9.32	9.52	9.42	9.06	9.16
Austria	8.02	8.04	7.61	7.62	7.68	7.63	9.00	7.14	7.19	7.20	7.11
Belgium	11.89	11.56	9.60	9.62	9.38	8.41	7.46	7.93	7.86	7.47	7.24
Denmark	12.96	14.60	9.37	10.12	9.27	9.26	8.63	10.17	10.17	10.64	11.24
Finland	11.16	10.73	10.58	9.74	9.96	8.77	8.89	8.27	8.27	8.25	8.15
France	13.96	12.70	11.33	10.79	10.00	9.19	8.53	8.58	8.65	8.55	8.05
Germany	8.38	7.17	6.57	6.64	6.32	6.21	5.78	6.31	6.17	6.07	5.95
Ireland	14.25	14.90	11.84	11.92	10.68	9.35	8.57	9.17	9.31	10.33	n.a.
Italy	17.60	14.52	13.66	13.43	13.80	13.35	12.27	10.87	10.83	11.06	10.81
Netherlands	8.58	7.72	6.96	6.81	6.84	6.44	6.15	6.39	6.38	6.22	6.03
Norway	12.50	12.00	13.10	13.10	13.20	12.80	12.80	12.80	13.10	13.42	13.40
Portugal	22.11	22.23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	17.25	13.93	12.30	12.35	12.36	12.22	12.06	11.44	10.98	11.52	11.52
Sweden	12.30	12.04	12.11	12.23	11.60	10.81	9.81	10.06	9.79	9.76	n.a.
Switzerland	4.53	4.60	4.42	4.42	4.27	4.16	4.24	4.39	4.43	4.39	4.26
United Kingdom	9.94	10.25	10.35	10.56	9.83	8.75	8.73	9.11	9.32	9.45	9.31
Australia	13.65	13.50	14.85	14.10	13.70	12.60	12.25	12.65	12.95	14.02	14.17
Japan	7.45	6.47	5.92	5.57	5.33	4.67	4.79	5.57	4.90	4.83	4.57
New Zealand	10.50	16.90	17.00	18.75	18.30	18.90	16.80	15.50	15.20	16.24	15.97
South Africa	13.64	16.55	18.09	17.57	17.30	17.65	17.40	17.09	16.99	16.00	14.03
Philippines	14.47	18.54	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.a.	n.a.	n.a.
Venezuela	13.50	14.00	12.00	12.25	12.00	12.00	12.00	12.00	12.00	12.00	12.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	11.00	10.75	9.50	9.50	9.50	9.00	8.50	8.50	8.50	8.00	7.50
Canada	11.00	11.25	10.00	11.50	13.00	12.00	11.25	10.25	10.25	9.75	9.75
Austria	9.25	9.25	9.00	9.00	9.25	9.25	9.25	9.25	9.00	9.00	9.00
Belgium	13.75	14.00	11.50	12.25	12.25	11.50	10.50	10.50	9.75	9.75	9.75
Denmark	10.00	10.50	8.50	8.50	8.50	7.50	7.50	7.50	7.50	7.50	8.00
Finland	10.18	10.68	10.37	9.90	9.90	9.49	9.49	8.78	8.82	8.76	n.a.
France	12.25	12.00	10.60	10.60	10.60	10.60	10.10	9.60	9.60	9.60	9.60
Germany	7.75	7.75	7.25	7.25	7.25	6.75	6.75	6.75	6.75	6.75	6.75
Ireland	13.75	15.75	12.50	14.50	17.50	17.50	14.50	13.50	12.25	12.25	12.25
Italy	18.75	18.00	15.88	15.88	16.00	16.00	15.25	14.50	13.50	13.50	13.50
Netherlands	7.00	6.25	6.25	6.25	6.38	6.00	6.00	7.00	6.75	6.50	5.88
Norway	13.50	13.00	12.40	13.50	14.00	13.75	13.75	14.75	15.50	15.25	15.25
Portugal	30.00	29.00	22.50	22.50	22.50	22.50	21.00	21.00	18.00	n.a.	n.a.
Spain	17.31	15.84	14.75	14.66	14.58	14.58	14.52	14.50	14.44	14.37	14.36
Sweden	13.50	14.50	15.05	14.00	14.00	13.00	12.75	12.75	12.75	12.75	n.a.
Switzerland	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75
United Kingdom	9.00	9.50	11.50	12.50	12.50	11.50	10.50	10.00	10.00	10.00	10.00
Australia	12.75	14.00	21.00	20.60	20.50	19.75	19.00	18.25	18.00	17.25	18.20
Japan	5.89	5.70	5.71	5.70	5.64	5.42	5.18	4.95	4.95	4.71	5.24
New Zealand	11.00	14.00	21.00	21.00	20.00	21.00	22.00	21.00	18.00	17.00	16.50
South Africa	20.00	24.00	16.50	15.50	15.50	15.50	15.50	14.50	14.50	14.50	14.00
Argentina*	15.50	32.05	7.30	7.00	6.40	5.25	4.80	5.52	5.35	5.57	7.70
Brazil	24.00	31.00	19.00	19.00	19.50	21.00	22.50	26.00	28.00	32.00	44.00
Chile	30.90	60.82	33.34	33.46	38.07	31.76	31.99	30.60	29.38	28.77	26.38
Hong Kong	13.50	11.00	7.00	7.00	7.00	8.00	8.00	7.50	7.50	7.50	6.50
Indonesia	19.75	23.50	18.75	18.50	20.00	20.00	19.50	19.00	19.00	18.75	17.75
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	11.00	12.00	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Mexico	56.44	47.54	65.66	68.55	70.30	71.79	73.48	75.02	76.97	81.36	84.40
Philippines	18.00	44.00	n.t.	n.t.	n.t.	n.t.	n.t.	n.t.	n.a.	n.a.	n.a.
Singapore	8.98	9.40	7.20	7.20	7.20	7.18	7.15	7.15	7.15	7.05	6.83
Taiwan	10.25	10.00	9.50	9.50	9.50	9.00	9.00	9.00	9.00	9.00	9.00
Thailand	16.00	16.50	15.50	15.50	15.50	14.00	14.00	14.00	14.00	12.75	12.00
Venezuela	16.00	16.00	13.00	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.00

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1983	1984	1985	1986							
	Dec	Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
United States	12.63	12.25	10.15	10.38	9.00	8.63	9.00	9.20	9.00	9.25	8.63
Canada	12.89	12.42	10.74	12.08	12.95	12.46	12.24	10.35	10.10	10.19	10.00
France	14.35	12.94	11.76	11.38	10.81	10.13	9.82	9.44	9.85	9.12	8.37
Germany	8.30	7.20	6.90	6.80	6.80	6.70	6.60	6.40	6.50	6.60	6.40
Netherlands	8.51	7.51	n.t.	n.t.	6.86	6.53	n.t.	n.t.	n.t.	n.t.	n.t.
Norway	13.25	12.75	14.00	14.00	14.00	14.00	14.00	14.00	14.25	14.90	15.00
Spain	20.07	18.32	14.92	14.87	14.82	14.40	13.91	13.99	13.71	13.22	13.68
Sweden	12.21	12.33	13.25	13.21	12.73	11.99	10.93	11.20	11.04	10.88	n.a.
Switzerland	4.92	5.09	4.93	4.78	4.71	4.64	4.96	4.77	4.83	4.84	4.77
United Kingdom	11.57	11.64	11.47	11.59	10.88	9.96	9.80	10.05	10.32	10.49	10.32
Japan	7.09	6.21	6.90	6.70	5.96	5.40	5.14	5.20	5.14	4.74	5.14
Korea	14.20	15.00	13.60	13.00	12.60	12.40	12.40	12.80	12.80	12.90	12.80
Venezuela	18.00	18.00	17.00	17.50	17.00	17.00	17.00	17.00	17.00	17.00	17.00

Key to data in tables

I. International markets

Data on the *international banking market size* are based on resident and nonresident Eurocurrency (i.e., foreign currency) assets and liabilities and on nonresident domestic currency assets and liabilities of banks in nearly all European countries, the Bahamas, Bahrain, Canada, Cayman Islands, Hong Kong, Japan, Netherlands Antilles, Panama, Singapore, and the United States. All assets and liabilities of international banking facilities (IBFs) of banks in the United States are treated as Eurocurrencies.

An *international bond issue* may be either a Eurobond issue or a foreign bond issue. A *Eurobond issue* is one placed principally in countries other than that of the currency in which the bond is denominated, usually through an international syndicate. A *foreign bond issue* is one issued by a nonresident borrower on the market of a single country and denominated in that country's currency. Data on new international bond issue volume include all publicly announced issues of straight bonds, convertibles, bonds with warrants, floating rate notes, and certificates of deposit with an original maturity of three years or more (one year or more beginning in 1985), whether publicly or privately placed.

An *international bank credit* may be either a Eurocurrency credit or a foreign credit. A *Eurocurrency credit* is one denominated in a currency that is foreign to the country of the bank office extending the credit. *A foreign credit* is one extended to a nonresident borrower and denominated in the domestic currency of the country in which the bank office extending the credit is located. Data on new international bank credit volume include all publicly announced bank credits with an original maturity of one year or more (term loans, revolving lines of credit, and facilities to back up the issuance of other financial instruments such as commercial paper, short-term notes, certificates of deposit and banker's acceptances).

Data on international bond issues and bank credits through 1984 were compiled by Morgan Guaranty Trust Company. Beginning in January 1985 these data are based on figures published in the OECD's *Financial Statistics Monthly*.

II. Domestic markets

Central bank discount rates

Rates shown are the official discount rates with the exception of:

Ireland — Short Term Facility rate.

South Africa — discount rate for 90-day banker's acceptances.

United Kingdom — rate of discount for outright purchases of 15- to 33-day bank bills.

Day-to-day money rates

Argentina—7-day interbank money regulated by the central bank.

Austria — day-to-day interbank rate.

Australia — effective interest rate in the official short-term money market.

Belgium — day-to-day loan rate in the call money market.

Brazil — interbank overnight money.

Canada—chartered banks' day-to-day loans.

Finland — Bank of Finland call money.

France — interbank call money against private paper.

Germany — interbank call money.

Hong Kong — interbank 24-hour call rate.

Ireland — interbank call money.

Italy — interbank 48-hour call money.

Japan—Tokyo interbank call money, unconditional lenders rate.

Korea — overnight interbank call money.

Netherlands — open-market call money.

Norway — day-to-day interbank rate.

Philippines — interbank call loan rate.

Singapore — interbank overnight money.

South Africa — discount houses basic call rate.

Spain — day-to-day interbank rate.

Sweden — interbank call money.

Switzerland — call money.

Taiwan — private interbank overnight loan rate.

United Kingdom — call money.

United States — federal funds rate.

Treasury bill rates

Australia — 13-week Treasury notes at tender.

Belgium — new issue of 3-month Treasury certificates.

Brazil — 3-month Treasury bills.

Canada — 3-month Treasury bills at tender.

Ireland — 3-month central bank exchequer bills at tender.

Italy — 6-month Treasury bills.

Japan — 60- to 62-day noninterest-bearing discount government bills.

Mexico — 3-month Federal Treasury bills.

Netherlands — 3-month Treasury bills.

New Zealand — tap issue rate for 3-month Treasury bills until December 1984. As of January 1985, 3-month Treasury bills at tender.

Philippines — simple average of 91-day Treasury bills at tender until June 1984. Beginning July 1984 rates refer to the weighted average interest rate on 91- to 183-day Treasury bills sold to banks under negotiated basis.

Singapore — 91-day Treasury bills at tender.

South Africa — 3-month Treasury bills at tender.

Spain — 6-month Treasury bills at tender until March 1984. As of April 1984, 3-month Treasury bill repos reported by the Bank of Spain (average of quotations during the month).

Sweden — new issues of 3-month Treasury bills until June 1982. New series as of July 1982, 6-month Treasury discount notes, market rate.

United Kingdom — 91-day Treasury bills at tender.

United States — 3-month Treasury bills.

Representative money-market rates

Australia — buying rate for 90-day bank accepted commercial bills.

Belgium — 4-month Fonds des Rentes certificates.

Canada — 3-month prime finance company paper.

Chile — central bank 60-day fixed rate promissory notes (PDBC) at tender.

France — 3-month interbank money against private paper.

Germany — 3-month interbank deposits.

Hong Kong — 3-month interbank deposits.

Indonesia — 1-month interbank deposits.

Ireland — 3-month interbank deposits.

Italy — 3-month interbank deposits.

Japan — 3-month "gensaki" rate.

Korea — 3-month financial bill.

Malaysia — 3-month interbank deposits.

Netherlands — 3-month interbank deposits.

New Zealand — 90-day commercial bills.

Philippines—weighted average interest rate for 90-day promissory rates.

Portugal — average of 30- to 90-day interbank deposits.

Singapore — 3-month banker's acceptances.

South Africa—90-day banker's acceptances.

Spain — 3-month interbank rate reported by the Bank of Spain (average of quotations during the month).

Switzerland — 3-month interbank deposits.

Taiwan — 90-day banker's acceptances.

Thailand — interbank call money.

United Kingdom — 3-month interbank deposits.

United States — 3-month prime industrial paper.

Commercial bank deposit rates

Argentina — nominal 30-day time deposits. Average of bank rates published by the central bank until August 1984. New series as of September 1984, 30-day acceptances maximum interest rate.

Austria — 3-month time deposits.

Australia — 3-month certificates of deposit.

Belgium — special maximum rate for 3-month time deposits in large amounts.

Brazil — 6-month certificates of deposit with prefixed yields until July 1982. New series as of August 1982, 6-month certificates of deposit reported as a spread above monetary correction which is set every month in relationship to inflation.

Canada — 3-month time deposits.

Chile — 30-day time deposits.

Denmark — time deposits of 3-months' notice.

Finland — time deposits of six-month notice.

France — 3-month time deposits of FF. 1,000,000.

Germany — 3-month time deposits in large amounts.

Hong Kong — negotiable 3-month time deposits of more than HK$500,000.

Ireland — 3-month deposits.

Italy — 3-month time deposits of Lit. 100 million or more.

Japan — 90-day negotiable certificates of deposit issued by the Tokyo office of Morgan Guaranty Trust Company.

Korea — 3-month time deposits.

Malaysia — 3-month time deposits.

Mexico — 3-month certificates of deposit until September 1983. New series as of October 1983, 3-month promissory notes.

Netherlands — 3-month time deposits in large amounts.

New Zealand — 6-month transferable certificates of deposit.

Norway — 3-month special term deposits.

Philippines — weighted average interest rates on 60- to 90-day time deposits of samole commercial banks.

Portugal — 90- to 180-day time deposits until May 1984. New series as of June 1984, 180-day to one-year time deposits.

Key to data in tables — continued

Singapore — 3-month certificates of deposit.
South Africa — 3-month negotiable certificates of deposit.
Spain — deposits over 6 months and less than 1 year for Pts. 1 million or more reported by the Bank of Spain.
Sweden — 3-month certificates of deposit.
Switzerland — 3-month time deposits.
Taiwan — maximum rate for 3-month time deposits.
Thailand — 3-month time deposits.
United Kingdom — 3-month time deposits.
United States — 3-month negotiable certificates of deposit issued by Morgan Guaranty Trust Company.
Venezuela — 6-month negotiable certificates of deposit for domestic depositors only.

Domestic government bond yields

Austria — Austrian National Bank average yield on all outstanding government bonds.
Australia — secondary market yield for 10-year Treasury bonds.
Belgium — Belgium National Bank secondary market average yield on central government bonds of more than 5 years' maturity quoted on Brussels Stock Exchange.
Canada — Bank of Canada average yield on all direct government bonds due or callable in 10 years or more.
Denmark — 12% serial bonds maturing 2001 until April 1983. New series as of May 1983, 10% serial bonds maturing 2004.
Finland — rate of interest at issue on central government bonds intended for public subscription, weighted by sales of bonds in the latter half of each month.
France — INSEE secondary market weighted average yield of public sector bonds with a remaining maturity of 10 years or more.
Germany — Frankfurter Allgemeine Zeitung 10-year public authority bond average.
Ireland — 15-year government bonds.
Italy — average yield on fixed-interest government bonds, not including irredeemable bonds, weighted by the amounts in circulation, for maturities of 9 years or more.
Japan — secondary market average yield on longest-term life government bonds as quoted by the Securities Dealers Association of Japan.
Netherlands — Central Bureau of Statistics (CBS) average yield on three latest government bonds.
New Zealand — average yield on government bonds maturing after 5 years.
Norway — 5% government bond of 1996 until December 1982. New series as of January 1983, average yield of long-term government bonds.
Philippines — weighted average interest rate of outright sales on secondary transactions for central bank certificates of indebtedness.
Portugal — yield of 4% Centenary Loan of 1940.
South Africa — 25-year government bonds until August 1983; 20-year Republic of South Africa bonds until April 1984; new series as of May 1984, secondary market yield for the 13% due 2005 Republic of South Africa bond.
Spain — Bank of Spain secondary market weighted average yield of several central government issues with more than 2 years' maturity (average of quotations during the month).
Sweden — 15-year government bonds until October 1983. New series as of November 1983, 5-year government bond yield index, market rate.
Switzerland — Swiss Confederation bond average.
United Kingdom — F.T. (*Financial Times*) Actuaries 25-year government stock.
United States — Morgan Guaranty 20-year U.S. Government Bond Index.
Venezuela — Banco Central average yield on public-sector bond issues.

Commercial bank lending rates to prime borrowers

Argentina — average rate on 30-day loans.
Austria — overdraft rate for prime borrowers, including commission.
Australia — overdraft rate. Maximum indicator rate applying to loans of A$100,000 or more for major trading banks.
Belgium — prime overdraft rate.
Brazil — prefixed rate applied to working capital loans until July 1982; monetary-corrected free rate applied to working capital loans from August 1982 to July 1983. New series as of August 1983, maximum legal rate reported as a spread above monetary correction which is set every month in relationship to inflation. Charges for fees and commissions are often added.
Canada — prime rate.
Chile — average prime rate of six major commercial banks.
Denmark — approximate rate for loans and advances to prime borrowers.
Finland — average rates on total commercial bank lending.
France — base lending rate, excluding a commission of .05% per month on highest debit balance during the month. A spread above base rate is often added.
Germany — approximate effective overdraft rate for prime borrowers.
Hong Kong — prime lending rate set by the Hong Kong Association of Banks.
Indonesia — prime rate for domestic affiliates of foreign companies.
Ireland — AA corporate borrowing rate.
Italy — unsecured overdraft rate for prime borrowers.
Japan — average contracted interest rate for short-term loans of city banks. In addition, compensating balances may be required.
Korea — prime rate.
Malaysia — Bank of Commerce Berhad base lending rate.
Mexico — base rate or average cost of money for banks determined monthly by the Banco de Mexico S.A.
Netherlands — overdraft rate for prime borrowers, including commission.
New Zealand — overdraft rate for prime borrowers.
Norway — overdraft rate, including a commission of .25% per quarter on the total line of credit until January 1983. New series as of February 1983, special rate of first class, large borrowers.
Philippines — prescribed administrative ceiling for unsecured loans with maturities of 365 days and below, including charges until December 1982. New series as of January 1983, modal rate to prime borrowers.
Portugal — maximum rate for 90- to 180-day loans.
Singapore — most common overdraft rate, major banks.
South Africa — unsecured overdraft rate for prime borrowers.
Spain — private banks' average interest rate for 1-year loans reported by the Bank of Spain.
Sweden — overdraft rate for prime industrial borrowers, commission not included.
Switzerland — unsecured overdraft rate for prime borrowers, excluding commission of .25% per quarter on average or highest outstanding debit balance in quarter.
Taiwan — maximum rate for 3- to 12-month secured loans. Rate is an indication only and may vary from actual bank lending rate which is subject to volatile interbank rates.
Thailand — prime rate.
United Kingdom — clearing bank base lending rate. A spread above base rate is often added.
United States — prime rate of Morgan Guaranty Trust Company.
Venezuela — representative rate for domestic prime borrowers only.

Domestic corporate bond yields

Canada — McLeod, Young, Weir Co. Ltd., weighted long-term bond yield index for AA corporates.
France — INSEE secondary market weighted average yield of private company bonds with a remaining maturity of 10 years or more.
Germany — Bundesbank secondary market weighted average yield of industrial bonds with a remaining maturity of more than 3 years.
Japan — secondary market yield for NTT bond maturing March 1987.
Korea — average of yields on corporate bonds guaranteed by local banks, with an original maturity of 3- 2- 5-years.
Netherlands — CBS average yield on three 6%-6.5% corporate bonds until December 1981. As of January 1982, CBS secondary market weighted average yield on all commercial bank issues with a quotation between 92% and 103%.
Norway — 5.75% Dalen Portland-Cement bond of 1969-1984 until December 1982. New series as of January 1983 average yield of long-term industrial bonds.
Spain — Bank of Spain seconary market weighted average yield of several corporate issues with more than 3 years' maturity (average of quotations during the month).
Sweden — Central Satistical Bureau average yield on industrial bonds.
Switzerland — average yield on outstanding bonds of four leading Swiss companies. Mixture changed as of January 1982.
United Kingdom — *Financial Times* secondary market average yield of industrial and financial company debentures and loan stocks with an average of 25 years to maturity.
United States — Salomon Brothers index of new issues yields for As industrial bonds with five-year call protection.
Venezuela — average of yields on 15-year bond issues of Electricidad de Caracas.

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Published by
Morgan Guaranty Trust Company of New York
International Economics Department
23 Wall Street, New York, NY 10015

Member, Federal Deposit Insurance Corporation. Printed in U.S.A.